

# CAPSTONE

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## I – PRESENTATION

<b>ORIGIN</b>	Stéphane LIPP (37), 15 years experience in corporate real estate: development, investment, management, marketing.
<b>CONCEPT</b>	<p><b>Real Estate Investment Company Partnering SMEs</b> dedicated to accompanying its client-partners over the long term. Innovative positioning in a non-structured sector largely ignored by institutional investors.</p> <p>Activity is 75% sale and leaseback of existing buildings, the remaining 25% comprising development of bespoke real estate solutions and services.</p> <p><b>Differentiators:</b></p> <ul style="list-style-type: none"> <li>- Investment in non-prime real estate assets of SMEs by portfolio acquisition, sale &amp; leaseback, site conversion</li> <li>- Creation of a diversified high yielding portfolio (&gt;8%) with long lease terms (&gt;10 years)</li> <li>- Long term asset holding, non-speculative posture, progressive debt reduction.</li> </ul>
<b>CONTEXT</b>	<ul style="list-style-type: none"> <li>- Sector not covered by institutional investors as assets are « non-prime »</li> <li>- SMEs seeking to strengthen balance sheets, alternative sources of finance and facilitation of business transfer.</li> </ul>
<b>VISION</b>	<b>Capstone</b> will become a key player in the financing and management of SME property assets. It will have a market value of 600 M€ in 6 years with 250 M€ of equity capital and will be quoted on a recognised stock exchange with an exceptional risk/reward profile.

## II - OFFER & MARKET

<b>OFFER</b>	<ul style="list-style-type: none"> <li>- Sale &amp; leaseback (75%), redevelopment and other real estate services (25%) via bespoke real estate solutions and services to SMEs</li> <li>- Benefits for SMEs: diversification of financing, strengthening of balance sheets, facilitation of business transfers through reduction of sale price, optimisation of existing and future real estate requirements by a specialist provider.</li> </ul>
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<b>MARKET/ CUSTOMERS</b>	<ul style="list-style-type: none"> <li>- Global corporate real estate in France &gt; 1 trillion €</li> <li>- 1,000,000 SMEs, of which 2/3 own their property (1/3 in USA)</li> </ul> <p>-Trading parameters:</p> <ul style="list-style-type: none"> <li>- Average gross rental yield            10.35%</li> <li>- Average lease length                    10 years</li> <li>- Leverage                                    50/50</li> <li>- Average investment                       5.8M€</li> <li>- Initial markets                            France (ex central Paris), Belgium</li> <li>- Built area owned in Year 5            535,000m<sup>2</sup></li> <li>- Diversification by number of assets, asset type, location and industry sector</li> </ul> <p style="text-align: center;">Diversification of revenue by asset type</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <caption>Diversification of revenue by asset type</caption> <thead> <tr> <th>Asset Type</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Commercial</td> <td>10%</td> </tr> <tr> <td>Office</td> <td>23%</td> </tr> <tr> <td>Logistics</td> <td>25%</td> </tr> <tr> <td>Light industrial</td> <td>15%</td> </tr> <tr> <td>Hotel</td> <td>5%</td> </tr> <tr> <td>Other</td> <td>22%</td> </tr> </tbody> </table> <p style="text-align: center;"><i>Other = bespoke buildings, laboratories, car parks...</i></p>	Asset Type	Percentage	Commercial	10%	Office	23%	Logistics	25%	Light industrial	15%	Hotel	5%	Other	22%
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<b>MARKET ACCESS</b>	<ul style="list-style-type: none"> <li>- Network of Leadership Team contacts (15 to 30 years experience each)</li> <li>- Regional Directors from banking background (awareness of local economic drivers): identify assets for acquisition and establish SME customer relationships.</li> <li>- Accountants, M&amp;A advisors, estate agents, professional contacts.</li> </ul>														
<b>COMPETITION</b>	<ul style="list-style-type: none"> <li>- Leasing companies, Proudreed (partially)</li> <li>- Competitive advantages : regional presence, commitment to long term asset holding, objective of lease terms &gt; 10 years, non-prime assets in quality locations, rental yields &gt; 8%</li> </ul>														
<b>CURRENT PIPELINE</b>	<ul style="list-style-type: none"> <li>- 3 investments, of which one already in freehold ownership, are under exclusive negotiation for a total investment of 30 to 60M€.</li> </ul>														
<b>III – ECONOMIC MODEL</b>															
<b>REVENUES</b>	<ul style="list-style-type: none"> <li>- Sale &amp; leaseback of corporate assets (recurring long term revenues)</li> <li>- Acquisition of tenanted parks/portfolios</li> <li>- Sale of services associated with these assets (management fees for renovations, fees for outsourced property management...)</li> </ul>														
<b>IV - TEAM</b>															
<b>CURRENT TEAM</b>	<ul style="list-style-type: none"> <li>- Stéphane LIPP (37), CNAM Commercial Law, MBA Corporate Finance - Fordham University (NY, USA), Financière Norbert Dentressangle, DTZ Thouard, Wal*Mart.</li> <li>- 4 experienced professionals (finance, asset management, legal affairs, sales &amp; marketing)</li> </ul>														
<b>FUTURE RECRUITMENT</b>	<ul style="list-style-type: none"> <li>Regional Directors with banking background</li> <li>Commercial Account Managers/Business Developers</li> </ul>														
<b>V - STRUCTURE AND FINANCING REQUIREMENTS</b>															

<b>STRUCTURE &amp; COMPOSITION OF CAPITAL</b>	- S.LIPP: valuation of current projects, developed outside of the investment company and contributed as capital to the company. - Investors : according to capital contributed: approx. 95% (*) (* ) for a total capital contribution of approx. 267 M€
<b>FINANCING REQUIREMENT AND APPLICATION</b>	Capstone is seeking a total equity investment of <b>267 M€</b> issued in tranches as follows : - Year 1 : <ul style="list-style-type: none"> <li>● First tranche 0.5M€ 1<sup>st</sup> January 2011</li> <li>● Second tranche 0.6M€ March 2011</li> <li>● Third tranche 22M€ July 2011</li> </ul> Total Year 1 : 67M€ - Year 2 – Year 5: 50M€ p.a. approx.  Leverage at 50% by bank debt.
<b>VALUATION</b>	Two methods of calculation :  - Net Asset Value with a capitalisation rate (gross rent/asset value) of 8% : Valuation = 548 M€, IRR = 23.6%  - DCF (operating cash flow/(8,2% - 3.00%) – debt) : Valuation = 612 M€, IRR = 27.4%  Average in Year 5 : Net valuation = <b>580M€, IRR = 25,5%</b>
<b>VI – FINANCIAL DATA</b>	
<b>See below</b>	
<b>VII - OTHER</b>	
<b>REMARKS</b>	- Investment approval > 2 M€ by Investment Committee/Board of Directors

Profit & loss account	Y1	Y2	Y3	Y4	Y5
	2011	2012	2013	2014	2015
Revenues	5.10	17.30	31.80	45.70	61.80
<i>Growth</i>		239%	84%	44%	35%
<b>EBITA</b>	<b>1.89</b>	<b>13.16</b>	<b>26.25</b>	<b>38.56</b>	<b>53.38</b>
<i>Margin</i>	37.1%	76.1%	82.5%	84.4%	86.4%
Depreciation	7.79	14.47	22.35	30.29	38.78
<b>Operating profit</b>	<b>5.90</b>	<b>1.31</b>	<b>3.90</b>	<b>8.27</b>	<b>14.60</b>
Finance cost	1.80	4.88	8.02	11.13	14.54
Net profit	7.70	6.19	4.12	2.86	0.06
Operating yield (EBITA/Equity)	3.20%	12.48%	16.80%	19.06%	21.66%

Balance sheet	Y1	Y2	Y3	Y4	Y5
	2011	2012	2013	2014	2015
<b>Shareholders equity</b>	<b>59.21</b>	<b>105.52</b>	<b>156.26</b>	<b>202.35</b>	<b>246.52</b>
Bank debt	63.90	117.68	177.52	235.71	293.15
Fixed asset investments	125.17	227.08	339.90	446.38	550.09
Total assets	125.47	227.38	340.20	446.68	550.39

Cash flow	Y1 2011	Y2 2012	Y3 2013	Y4 2014	Y5 2015
<b>Operating cash flow</b>	<b>0.09</b>	<b>8.28</b>	<b>18.22</b>	<b>27.43</b>	<b>38.84</b>
<i>OCF/equity</i>	0.16%	7.85%	11.66%	13.55%	15.76%
Share capital	66.92	52.50	54.86	48.95	44.11
Bank debt	63.90	53.78	59.84	58.19	57.44
Tenant deposits	2.35	1.82	2.24	2.20	2.10
	133.26	116.38	135.16	136.77	142.49
Investments	- 132.96	- 116.38	- 135.16	- 136.77	- 142.49
Change in working capital	- 0.30	-	-	-	-
<b>Free cash flow reinvested</b>	<b>0.02</b>	<b>6.12</b>	<b>13.20</b>	<b>19.69</b>	<b>27.36</b>